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RUEHUL/AMEMBASSY SEOUL 2916
RUEHMO/AMEMBASSY MOSCOW 1887
RUEHTA/AMEMBASSY ASTANA
RUEHML/AMEMBASSY MANILA 1449
RUEHLO/AMEMBASSY LONDON 0183
RUEHKO/AMEMBASSY TOKYO 2627
RUEHBK/AMEMBASSY BANGKOK 1529
RUEHBY/AMEMBASSY CANBERRA 0166
RUEHSH/AMCONSUL SHENYANG 0313
RUEHVK/AMCONSUL VLADIVOSTOK 0148
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RHEBAAA/DEPT OF ENERGY WASHDC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC 0694
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RUEATRS/DEPT OF TREASURY WASHDC

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STATE FOR EAP/CM AND EB/IFD/OIA
STATE PASS USTR, EXIM, OPIC, AND EPA
STATE PASS AID/ANE D. WINSTON
MILLENNIUM CHALLENGE CORP WASHDC FOR F. REID
TREASURY PASS USEDTS TO IMF, WORLD BANK
MANILA AND LONDON FOR USEDTS TO ADB, EBRD

E.O. 12958: N/A

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SUBJECT: Meeting with Mongolian Deputy Minister of Trade and Industry Sodbaatar

Reftel: Ulaanbaatar 0478; Ulaanbaatar 0483

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1. (SBU) SUMMARY. Mongolia's Vice Minister for Industry and Trade, Sodbaatar, met with DCM on August 24 to discuss a number of issues, including cooperation on the U.S.-Mongolia trade relationship through the Trade and Investment Framework Agreement (TIFA) process, which the GOM hopes will lead quickly to a Free Trade Agreement. Other issues discussed included Ministry of Industry and Trade (MIT) participation in the proposed Fall 07 presidential summit in Washington; Mongolian progress in using the General System of Preferences (GSP); and the GOM's recent virtual "expropriatory" revocation of 34 exploration licenses owned by 18 firms.
END SUMMARY.

Advancing the TIFA Process

2. (SBU) DCM and Commoff met with Vice Minister (VM) Sodbaatar on August 24 to review the current trade relationship and plan for fall and early-winter events related to the TIFA process. Following on promises made by both governments to regularly measure progress on TIFA commitments, the DCM proposed early fall -- perhaps October, pending USTR approval) -- for a mid-year review of commitments made at the 2007 TIFA meeting. The USTR would lead USG agencies via digital videoconference (DVC) or some other method to assess progress on the 07 TIFA agenda with GOM counterparts. The TIFA DVC would include a detailed discussion of the Transparency Agreement proposed by the USTR, which fulfils a US commitment made during the 07 TIFA to deepen bilateral trade relations. In addition, the TIFA DVC would address ongoing commercial disputes, especially those

related to mining in Mongolia.

¶3. (SBU) VM Sodbaatar responded positively to the mid-term review concept. He said MIT would readily participate in either a DVC or, if conditions permit, a meeting with USTR representatives in Beijing in September, if appropriate. Sodbaatar volunteered that he approves of USG proposals for DVCs, etc., because they regularize the TIFA process for the GOM and might lead to the FTA that Mongolia desires.

¶4. (SBU) The VM said Mongolia wants a Transparency Agreement with the United States because the GOM sees such a pact as a fundamental stepping stone to a FTA. He added that, regardless of its link to an FTA, such an agreement would be key to expanding bilateral trade cooperation. The VM concluded his TIFA comments by reiterating the GOM's view that TIFA meetings should be the means to a FTA. He said the GOM expects that the USG will make positive statements about concluding a FTA with Mongolia during the Presidential summit.

MIT participation in Washington summit

¶5. (SBU) The DCM asked the VM whether the MIT plans to participate in the proposed fall 2007 presidential summit in Washington. The VM said the MIT would participate at a ministerial level, but that no decision has yet been made on whether the minister or the VM would go. At the summit, Sodbaatar added, the MIT would meet with USTR and other trade-related USG officials, as well as American investors interested in Mongolia. The MIT sees the summit as a good opportunity to improve Mongolia's profile as a destination for foreign direct investment from the US, which MIT believes is lacking.

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General System of Preferences

¶6. (SBU) CommOff detailed recent progress on GSP, paying particular attention to Mongolia's GSP go-ahead for two categories of molybdenum. However, CommOff tempered the positive message by relaying a USTR statement that future Mongolian GSP petitions must follow all required guidelines for submissions or risk being rejected. Sodbaatar expressed pleasure that Mongolian molybdenum was to be listed as a GSP-eligible product and committed to following all requested procedures for GSP submissions.

Mining license revocations

¶8. (SBU) The DCM also expressed USG concern over the GOM's recent virtual "expropriatory" revocation of 34 exploration licenses owned by owned by 18 firms (reftels). The VM denied that licenses had been revoked, claiming that firms misunderstood the written communication from the GOM. He said the companies would need to conform to the new mining law as soon as possible or risk losing their licenses. He also blamed firms for being slow to follow Mongolia's new mining law. Sodbaatar promised to formally inform all affected firms of the GOM's decision, to give them sufficient time to change their licenses. (Note: MIT has not yet honored commitments made at the August 24 meeting. Apparently, a formal letter has been written but not disseminated. Consulted daily, MIT promises to issue a formal renouncement of the revocation during the week of September 1. End note.)

Minton